



STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
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BOARD OF PENSION TRUSTEES
AUDIT COMMITTEE
MEETING MINUTES OF APRIL 11, 2014

Audit Committee Members Present

Helen R. Foster, Chair
Mark Finrock
James Burke
Robert L. Paretta
Araya Debessay

Audit Committee Members Not Present

Steve Ritchie

Others Present

David Craik, Pension Office
Wade Sallings, Pension Office
Lincoln Nathan, Pension Office
Kathy Kunkle, Pension Office
Ann Marie Johnson, DAG
Garry Musto, Ashford Consulting

KPMG

Arthur Ayres
Joe Seibert
Ryan Brown

1. OPENING COMMENTS

The meeting of the Audit Committee of the Board of Pension Trustees was called to order by Helen R. Foster, Chair, at 9:30 a.m.

2. APPROVAL OF THE MINUTES

The Audit Committee reviewed the public minutes of the October 18, 2013 meeting.

MOTION made by R. Paretta and seconded by A. Debessay to approve the public minutes of the Audit Committee Meeting from October 18, 2013.

MOTION ADOPTED UNANIMOUSLY

The Audit Committee reviewed the executive minutes of the October 18, 2013 meeting.

MOTION made by R. Paretta and seconded by A. Debessay to approve the executive minutes of the Audit Committee Meeting from October 18, 2013.

MOTION ADOPTED UNANIMOUSLY

3. PENDING ITEMS (OLD BUSINESS)

No items to report.

4. FISCAL YEAR 2014 AUDIT DISCUSSION AND TIMELINE

The Audit Committee and KPMG discussed the upcoming audit process. KPMG provided a handout that detailed the procedures that will be used by KPMG for the Fiscal Year 2014 DPERS audit. Joseph Seibert, Engagement Partner for KPMG, started the presentation discussing the two white papers issued by the American Institute of Certified Public Accountants (AICPA) that established requirements on how to audit Government Pensions relative to GASB 67. Mr. Seibert then continued presenting the other categories listed in the handout. The following questions were addressed throughout the presentation:

Mr. Finfrock asked Mr. Seibert of KPMG if DPERS was required to have a control evaluation similar to what is performed in the private sector. Mr. Seibert stated the Standards for the audit do not require KPMG to issue an opinion on controls so the level of test work relative to controls will not change.

Dr. Debessay asked KPMG if they looked at the investment decisions that were made. Mr. Seibert stated they do not second-guess the decisions made by the Board; however, they would review if proper due diligence and procedures were followed and would make a comment to the Audit Committee if they were not followed.

A discussion of the Rate of Return and its impact on the actuarial valuation and the investment policy was undertaken. Mr. Craik stated that this has been looked at over the last 12 months and if DPERS was going to make a change it would be done by June 30, 2014.

A further fulsome discussion was held regarding the effects of GASB 67 and 68 on the DPERS audit in Fiscal Year 2014 and 2015. Mr. Seibert of KPMG stated the importance of being able to rely on census data reported to DPERS and the fact that Employer Site visits will be required.

5. DEPUTY ATTORNEY GENERAL REPORT

Deputy Attorney General Johnson discussed that we have received acknowledgement from the IRS of our Cycle C filing request for all Plans submitted.

Deputy Attorney General Johnson also mentioned that all Audit Committee members should have received a copy of the Code of Conduct as part of the Governance Review process.

6. NEW BUSINESS

No items to report.

7. PROPOSED FUTURE 2014 AUDIT COMMITTEE DATES

Audit Committee members will be provided dates for a meeting in October/November 2014.

At 11:00 a.m. there being no further business,
MOTION was made by A. Debessay and
seconded by R. Paretta to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Wade Sallings
Cash/Debt Manager

Helen R. Foster, Chairman
BOPT Audit Committee

cc: Audit Committee Members
Suzanne Grant
David Craik
Ann Marie Johnson